

Subject: [EXTERNAL] UNITED STATES FILES \$100 MILLION CIVIL COMPLAINT AGAINST DIGITAL CURRENCY EXCHANGE BTC-e AND CHIEF OWNER-OPERATOR ALEXANDER VINNIK

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Department of Justice

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Northern District of California

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UNITED STATES FILES \$100 MILLION CIVIL COMPLAINT AGAINST DIGITAL CURRENCY EXCHANGE BTC-e AND CHIEF OWNER-OPERATOR ALEXANDER VINNIK

Complaint seeks to enforce federal penalties for alleged violations of Bank Secrecy Act

SAN FRANCISCO— The Department of Justice filed a civil complaint in federal court against digital currency exchange BTC-e, also known as Canton Business Corporation, and one of its chief owners and operators Alexander Vinnik, announced United States Attorney David L. Anderson and U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) Director Kenneth A. Blanco. The complaint seeks to enforce monetary penalties FinCEN assessed against BTC-e and Vinnik for alleged violations of the Bank Secrecy Act (BSA), 31 U.S.C. §§ 5311-14 and 5316-32.

BTC-e is a digital currency exchange organized as a corporation under the laws of Cyprus

BTC-e is a digital currency exchange organized as a corporation under the laws of Cyprus and/or the Seychelles Islands. BTC-e operated in Bulgaria, the Seychelles Islands, and other jurisdictions, including the Northern District of California, and allowed its users to buy and sell bitcoin and other digital currencies anonymously through its web domain, btc-e.com. Vinnik, a Russian national, occupied a senior leadership position within BTC-e, controlled multiple BTC-e administrative accounts used to process BTC-e's transactions, and participated in the direction and supervision of BTC-e's operations and finances. The civil complaint alleges that Vinnik operated several BTC-e accounts, including some tied to thefts from other virtual currency exchanges such as Mt. Gox. Vinnik is currently incarcerated in Greece and is the subject of an extradition request to the Northern District of California in connection with criminal charges filed in this district.

On July 26, 2017, FinCEN assessed monetary penalties against BTC-e and Vinnik for violations of the BSA. FinCEN assessed \$12 million in penalties against Vinnick and \$88,596,314 in penalties against BTC-e for BTC-e's alleged willful violations of the BSA. The civil complaint seeks to enforce the monetary penalties issued by FinCEN.

According to the complaint, FinCEN assessed penalties based, in part, on the following conduct:

- Failure to Register as an MSB: BTC-e did not register with FinCEN as a Money Services Business (MSB). The BSA defines an MSB and requires, among other things, MSBs to register with FinCEN within 180 days of beginning operations. In this case, FinCen assessed penalties, in part, because the agency concluded BTC-e was an MSB and failed to register with the agency.
- Failure to Establish Anti-Money Laundering Programs and Procedures: Under the BSA, an MSB must develop, implement, and maintain an effective anti-money laundering (AML) program that is reasonably designed to prevent the MSB from being used to facilitate money laundering and the financing of terrorist activities. FinCEN's fines were based, in part, on BTC-e's failure to have reasonable AML policies or procedures in place to prevent criminal activity on the digital currency exchange.
- Failure to File Suspicious Activity Reports: Under the BSA, an MSB must file a suspicious activity report (SAR) if it becomes aware of transactions that the MSB "knows, suspects, or has reason to suspect" are suspicious where those transactions involve the MSB and aggregate to at least \$2,000 in value. FinCEN's penalties were assessed, in part, because BTC-e did not file SARs and instead received proceeds from ransomware schemes, transferred funds to and from known dark net marketplaces, and deposited funds stolen from other digital currency exchanges into BTC-e accounts that Vinnik controlled.

This case is being handled by Assistant United States Attorney Kirstin Ault and U.S. Department of Justice Trial Attorney John Siemietkowski with assistance from Tina Louie.

